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Millions in minutes

The California Statewide Communities Development Authority appears to rubber stamp millions worth of tax-free bonds. Critics say the agency serves little public purpose.

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SACRAMENTO In June 2006, commissioners of the little-known California Statewide Communities Development Authority approved eight projects totaling an estimate \$78.5 million. It took them 15 minutes.

Three months later, commissioners approved another nine projects worth up to \$163.6 million. It took 25 minutes.

And in April this year, they approved two projects worth up to \$198.3 million. In eight

minutes.

Quick work, huh?

I stopped writing this column for several weeks to investigate California Communities; last month, I wrote a story exposing its questionable practices. The public agency purports to finance projects of "public benefit" but I showed how it actually operates out of the public eye and funds things like a BMW dealership and an Indian casino.

Weeks ago, I asked to review minutes from commissioner meetings, but they weren't provided until after my story ran. On a CD, I received minutes from 112 meetings covering January 2005 to April 29 of this year.

The records illustrate how the agency operates outside of the public eye. There's little evidence the general public regularly attended their meetings, which were almost exclusively held in the private offices of the political associations controlling the agency, the League of California Cities and the California State Association of Counties.

In fact, of the 112 meetings, I counted 108 that were "special meetings," which under state law meant the agency only had to provide 24-hour notice of the meeting rather than the typical 72.

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But what I found most interesting was the recorded length of the meetings. On many days, commissioners had to consider multiple financing proposals from as little as \$1 million to as much as a \$1 billion. Based on what I saw in the minutes, some looked like complex projects: apartments with taxable and nontaxable components, nine-figure health care proposals.

But in many cases, the commissioners dispatched of them quickly. At least 31 times, the board met for 30 minutes or less and during those meetings the board approved as many as nine proposals in a single sitting, proposals worth up to \$108 million, \$150 million, \$200 million.

And not once did I see them reject a proposal.

"It's wrong. There's no due diligence," said Orange County Supervisor Chris Norby.

To Norby, this suggests California Communities is nothing more than a scam to make money. The political associations controlling appointments to the California Communities board rake millions off the agency's activities; in 2007, they received \$2 million each.

What's to stop them from rubber stamping every proposal just to juice up their own bottom line?

The people behind California Communities vigorously deny rubber stamping projects.

In an e-mailed statement, the agency described its board as sort of a last line of approval after a lengthy vetting process that involves a review by California Communities staff and approvals from impacted local officials.

In fact, as part of that process, the agency said the board is notified of proposals "weeks, months, or years before staff brings them back for final approval. We've had a number of occasions where an inducement has triggered a request by the Board for more information, or has resulted in the project being steered away." Notifications were made in some of those meetings running 30 minutes or less.

The agency also noted "It is rare a project makes it all the way to the Board for public denial due to the prescreening (t)hat takes place." During the time frame referenced, the agency said 77 applications never moved forward for various reasons. Staff estimates "less than 50 percent" of proposed projects actually see bonds issued.

"By the time a project reaches the California Communities Board for final approval, it has completed an exhaustive process to vet matters of public benefit, community support, legal compliance, tax law

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compliance and state rules compliance," the statement said. "This process runs many months in the best of cases, and can sometimes last years.

"By the time it reaches the California Communities Board, it is 'crossing the finish line.' "


But as I reported earlier, California Communities is staffed by a private company, HB Capital Resources, which is also rakes money off of bonds issued by agency. In 2007, it made \$10 million.

So staff and the board have an interest in approving as many projects as possible. And they receive final approval in short meetings.

You tell me, is that a problem?

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